



The Real Estate ANALYST

JUNE 28
1955

Volume XXIV

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Number 27

Real Estate Economists, Appraisers and Counselors

OUTLOOK GOOD FOR REAL ESTATE AND MORTGAGES

ALMOST any real estate salesman can tell you that the seller's market has disappeared. That real estate activity has not suffered accordingly, but has actually improved, is a tribute to the sales and merchandising abilities of the real estate industry and the openhanded financial terms available. Coupled with this combination of hard work and liberality has been a less tangible but equally potent factor - an overwhelming confidence in the future.

Despite the remarkable stamina of the housing and real estate boom, which seems certain to last well into 1956, there is one stubborn fact that disturbs some of us who are old enough to remember 1929 and old-fashioned enough to refer to it occasionally. We have mentioned it before. It is the vulnerability of the entire real estate industry to a sudden decline in the buyer's willingness to buy. First of all, we will admit two things about this viewpoint. A reluctance to buy can afflict any market at almost any time for any number of reasons. Therefore, such a viewpoint might be classified by some as similar to a morbid fear of being struck by lightning. Secondly, we will admit that we have long taken a conservative position insofar as loose credit and long-term commitments during boom times are concerned.

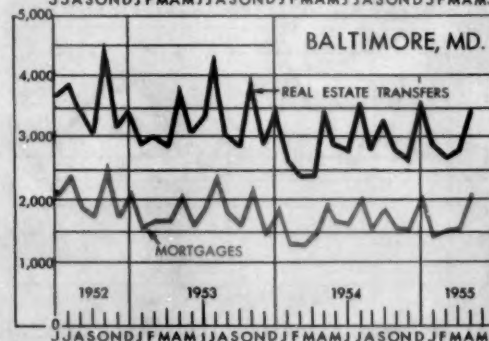
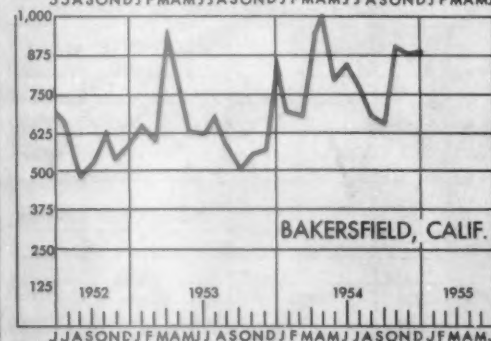
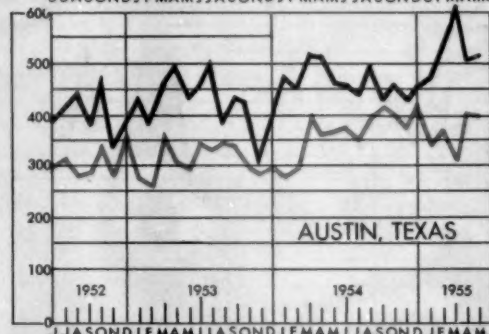
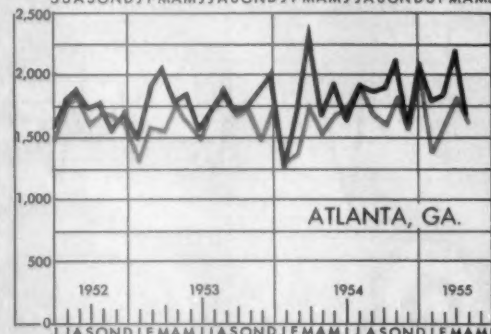
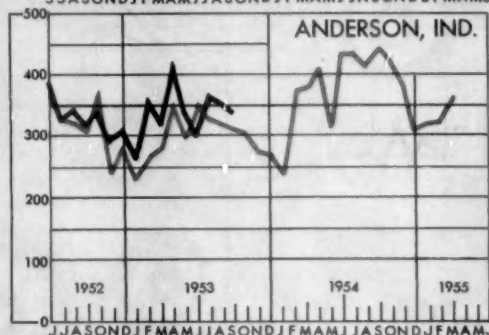
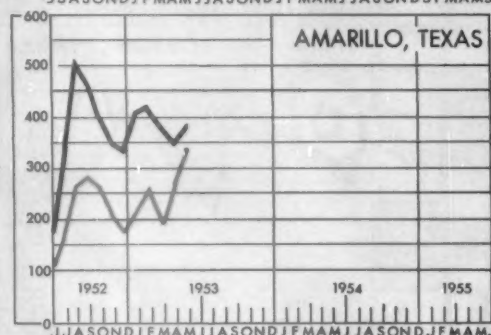
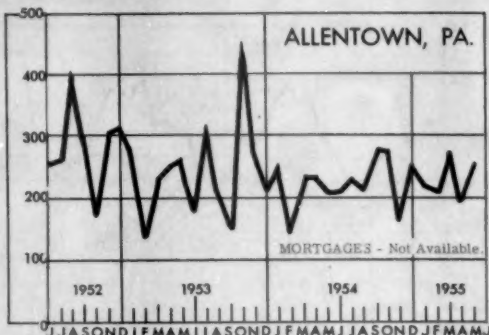
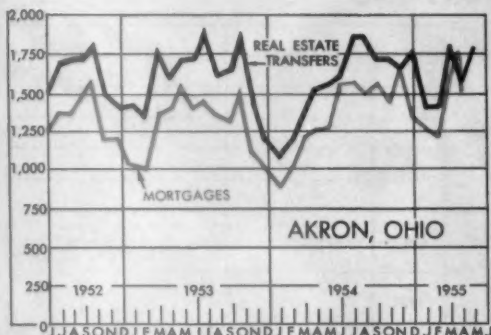
Nevertheless, the entire housing market is more vulnerable than it has been at any time in the last 15 or 20 years. Between 40 and 45 million nonfarm real estate sales in the postwar period have contributed largely to that vulnerability. Some 10 to 12 million new dwelling units (including conversions) have eliminated the housing shortage. In certain areas a surplus of housing has become apparent and vacancies are on the rise. The fact that the need to buy has been largely eliminated and the fact that rentable quarters are becoming more abundant adds tremendously to the deferrability of home buying.

Exponents of the "inexhaustible housing demand" theory regularly scoff at the dropping rate of new family formation. They state that the never-waning demand will continue to flow from the constant process of "upgrading." They point out that many families are regularly improving the quality of their housing by selling or trading their old house for a newer one. For the past 3 or 4 years this has been true. A big part of the demand for housing has come about in just that way. However, it only takes a given number of dwelling units to house a given number of families. Whatever dwelling units are left over constitute a surplus.

(cont. on page 280)

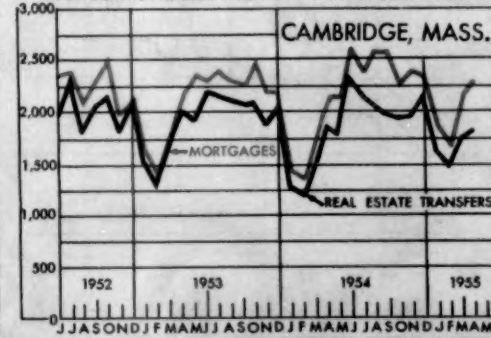
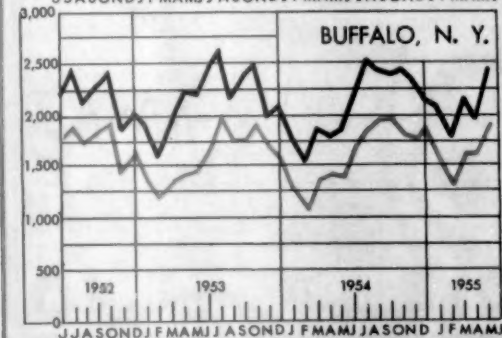
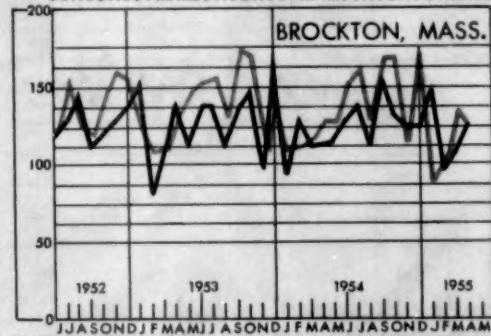
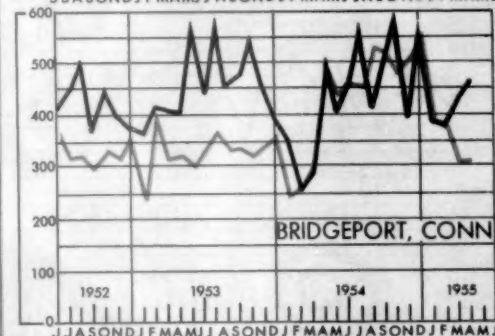
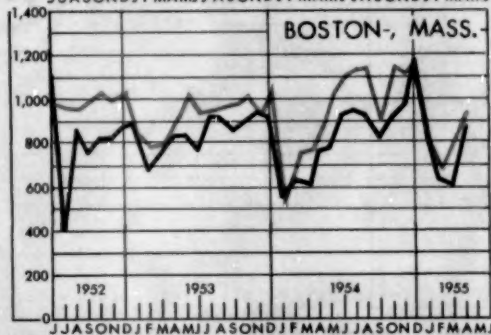
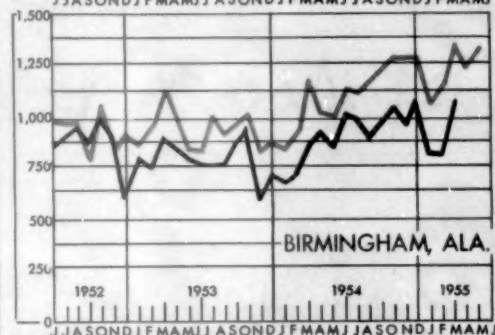
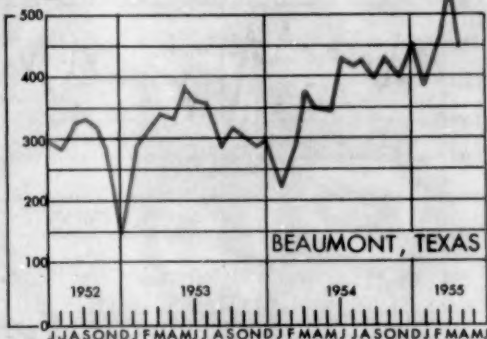
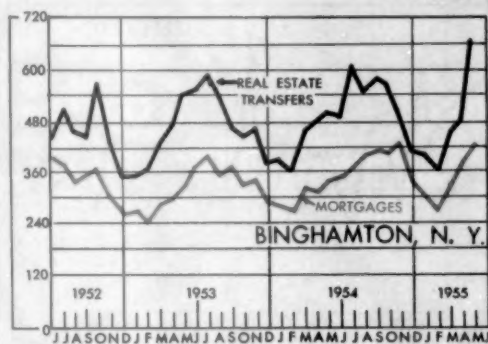
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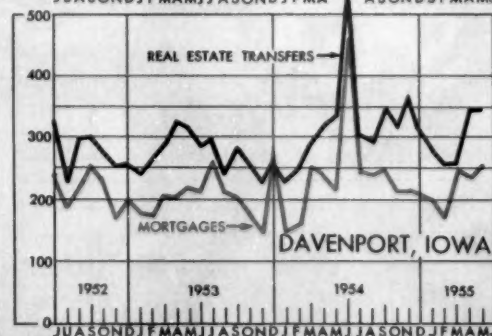
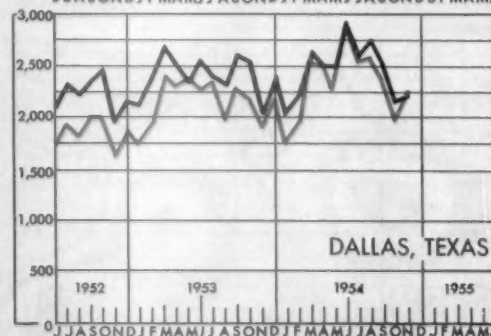
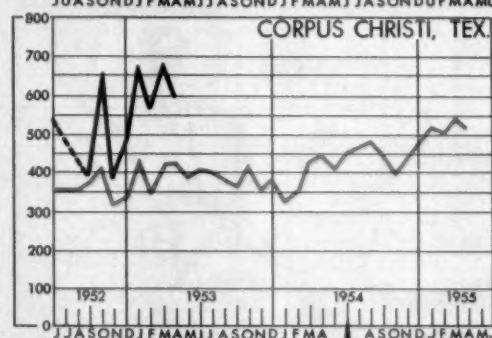
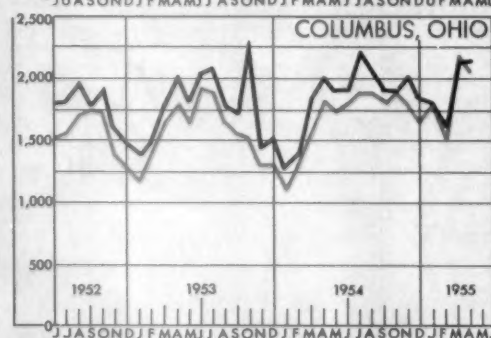
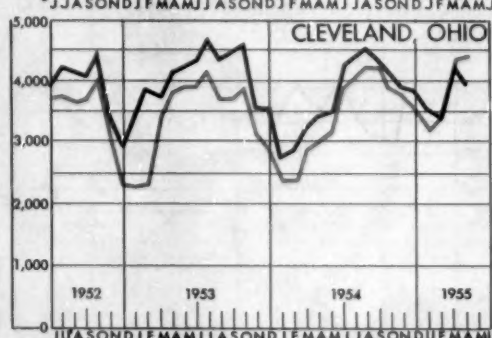
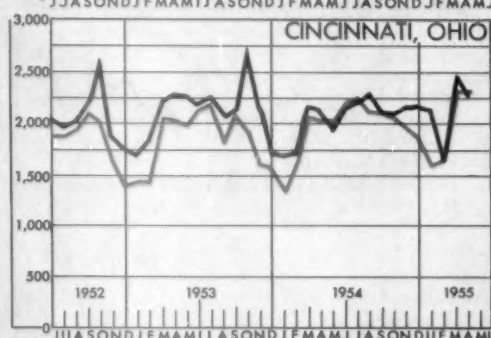
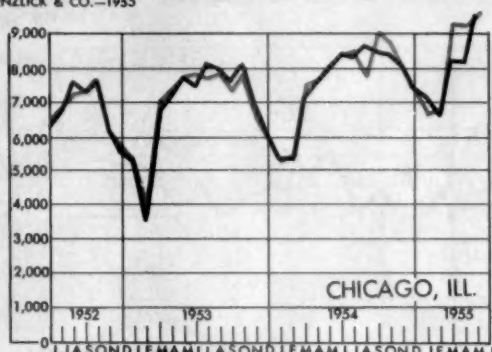
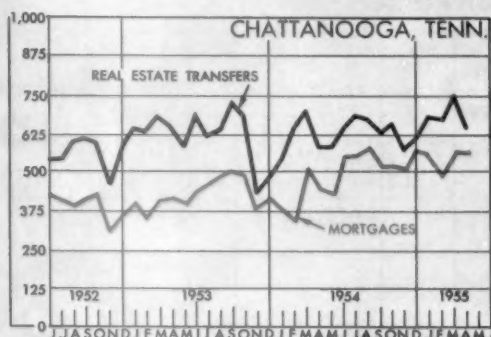
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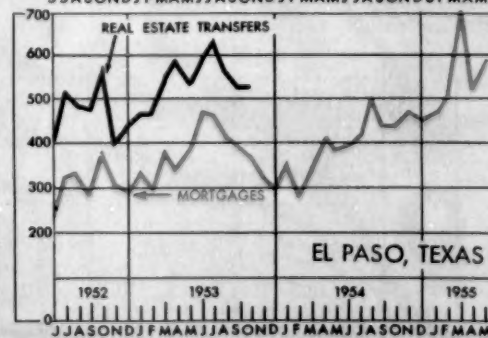
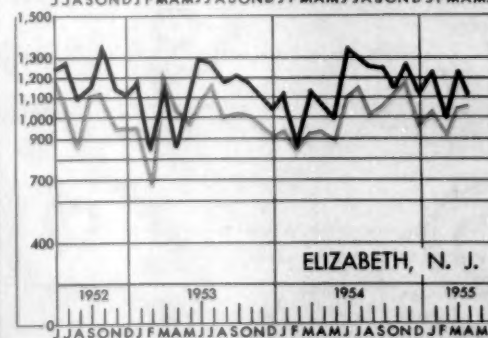
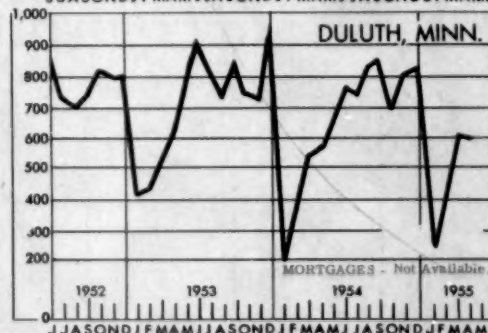
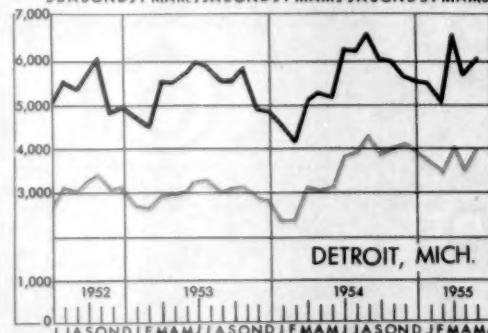
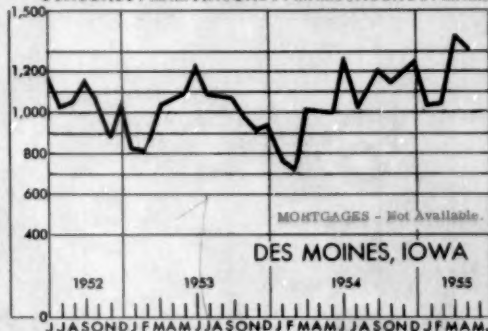
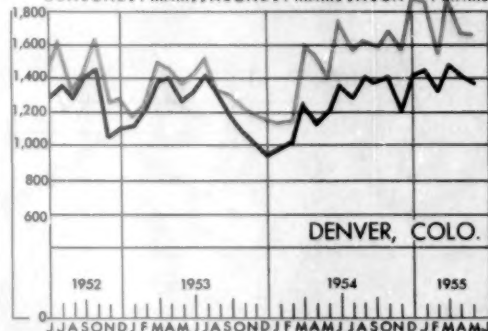
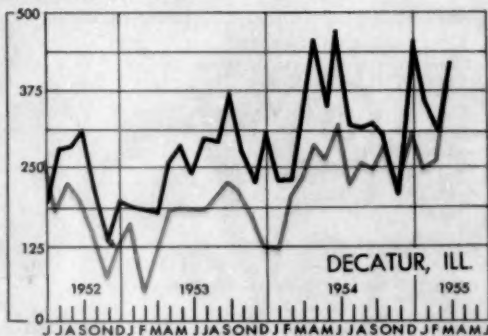
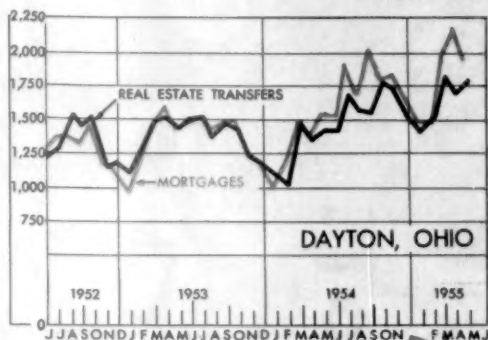
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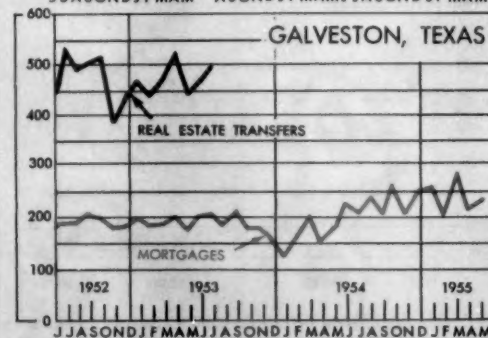
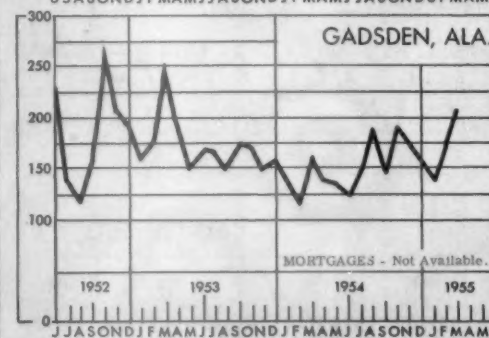
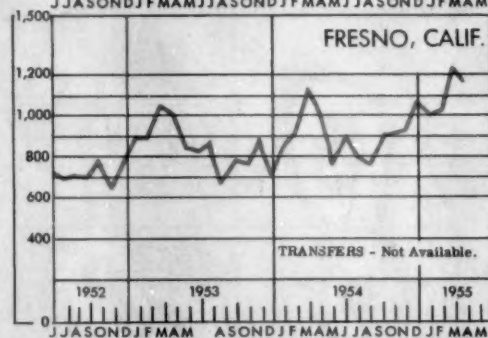
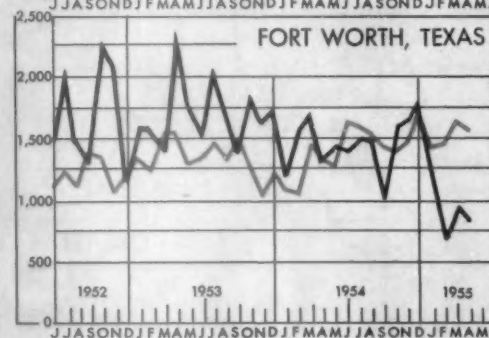
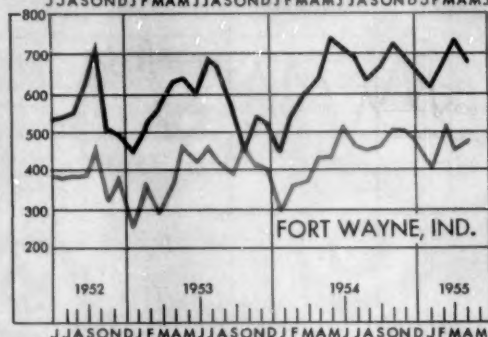
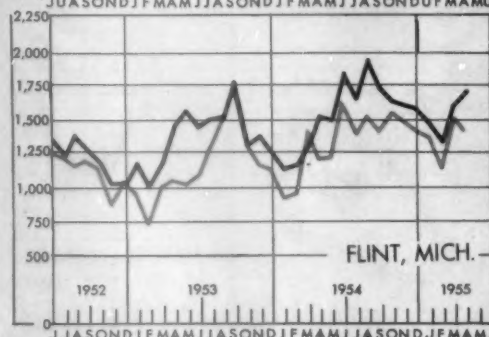
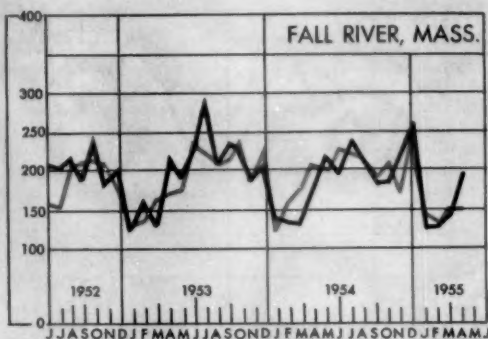
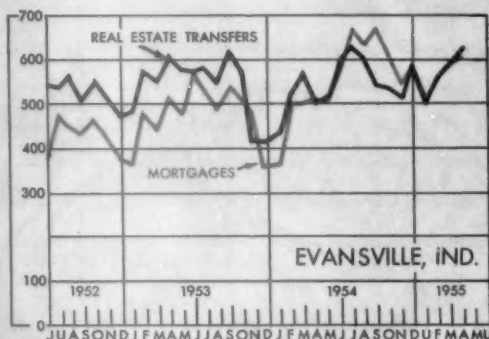
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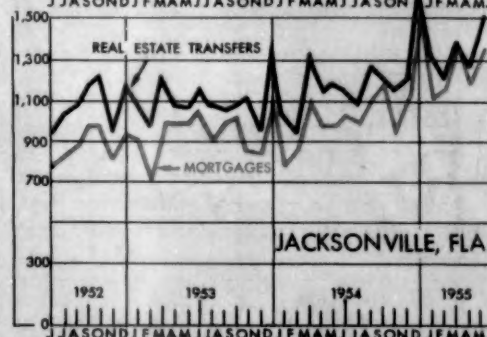
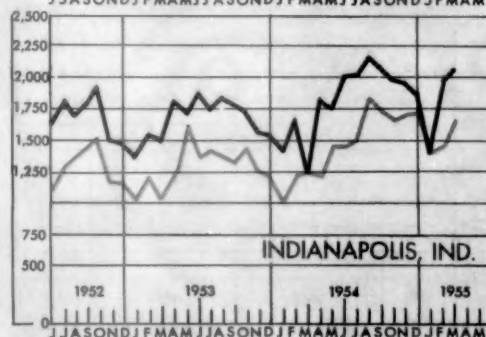
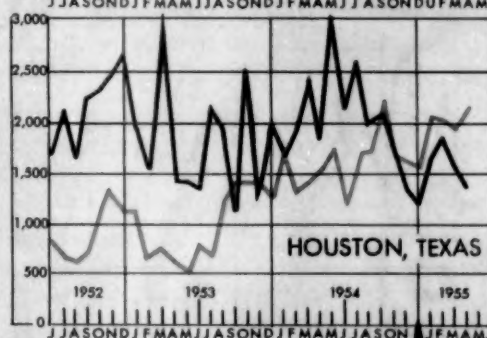
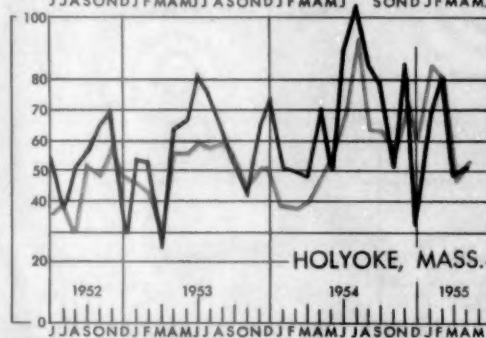
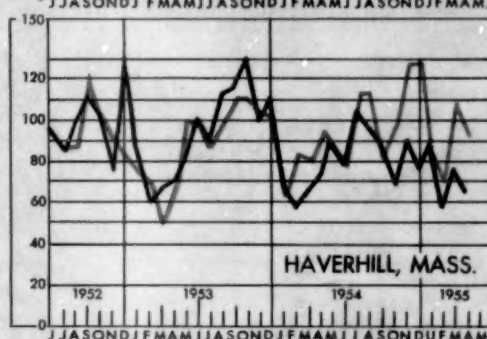
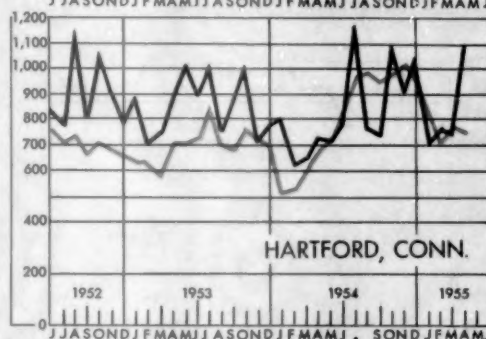
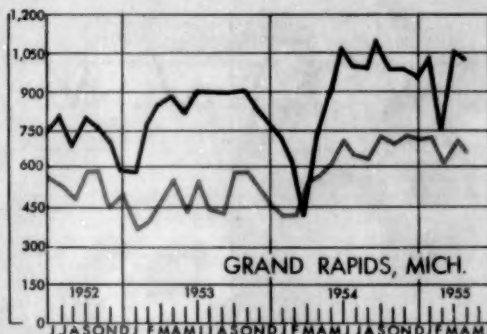
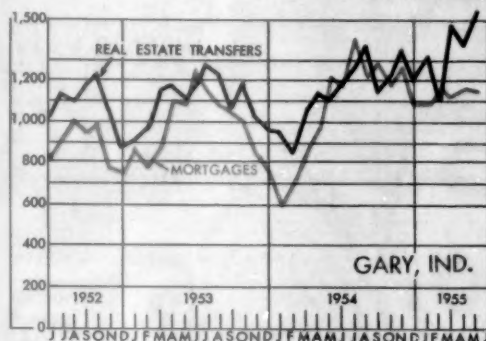
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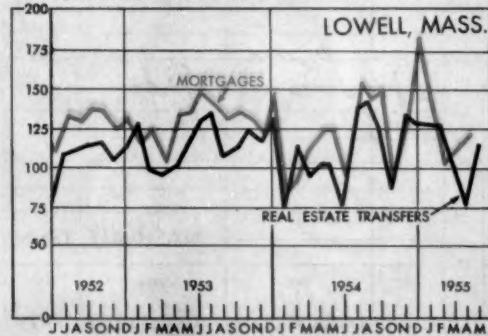
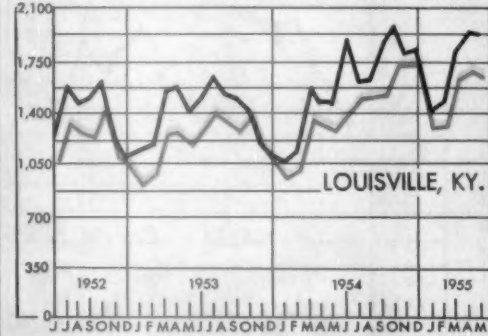
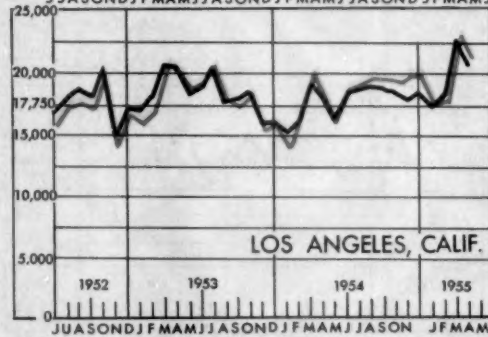
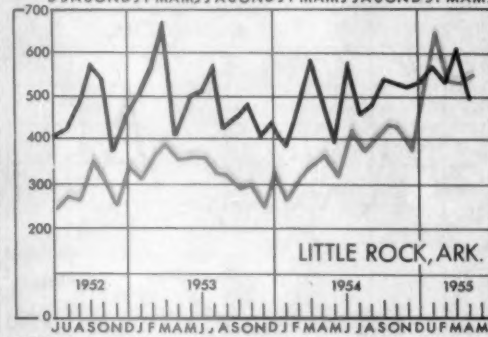
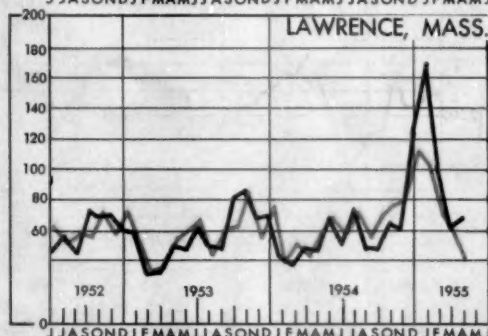
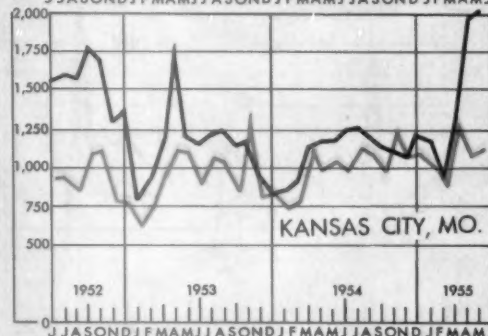
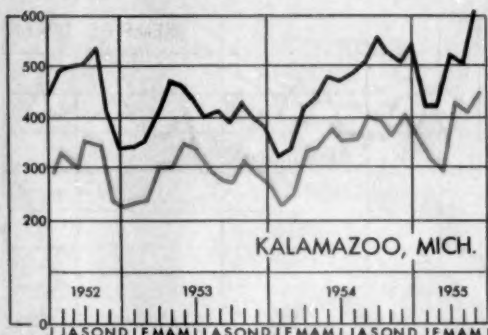
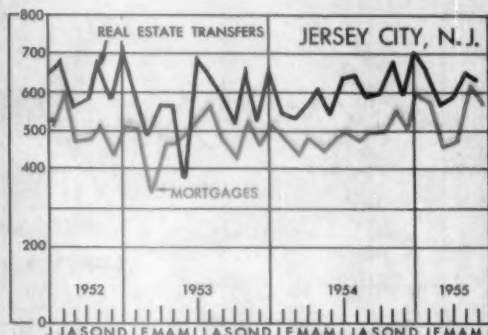
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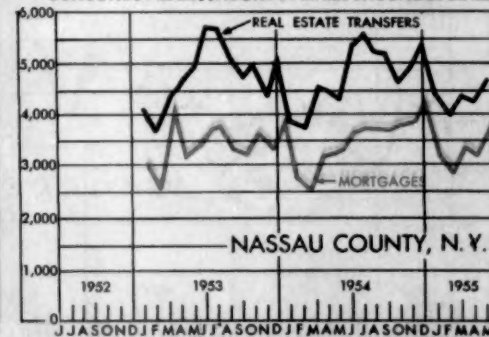
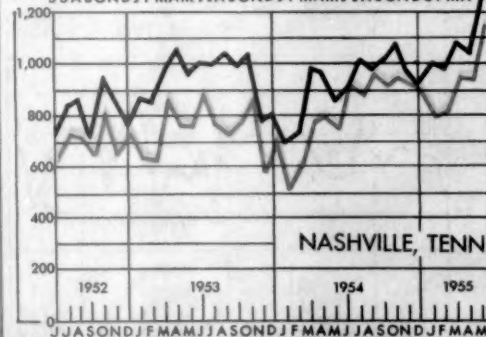
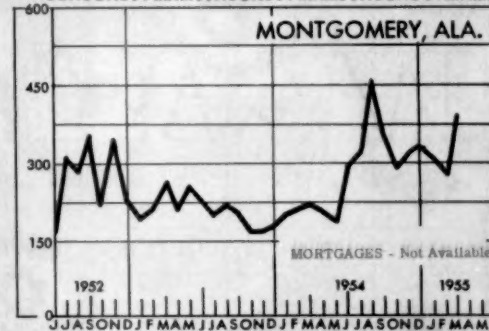
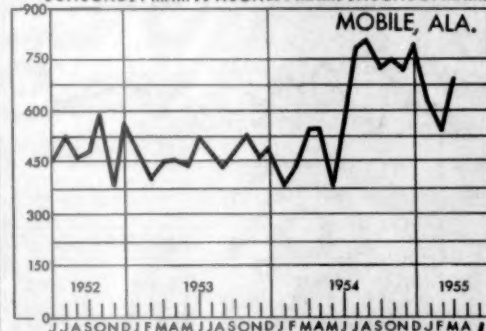
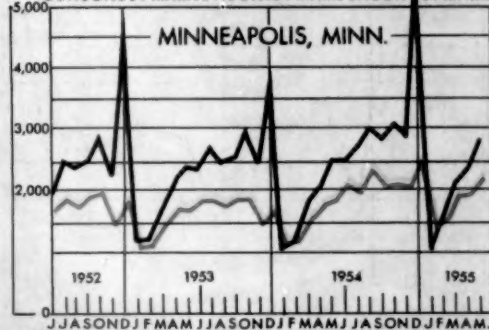
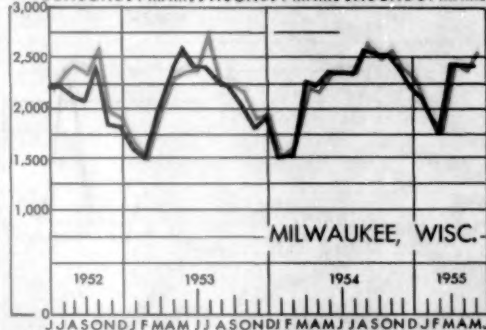
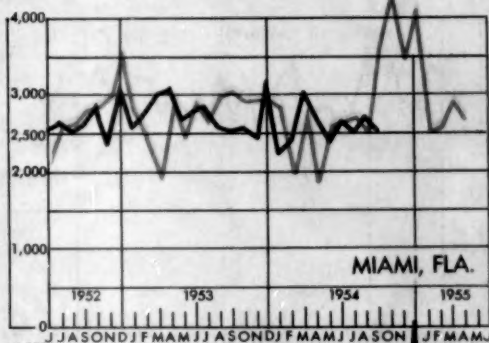
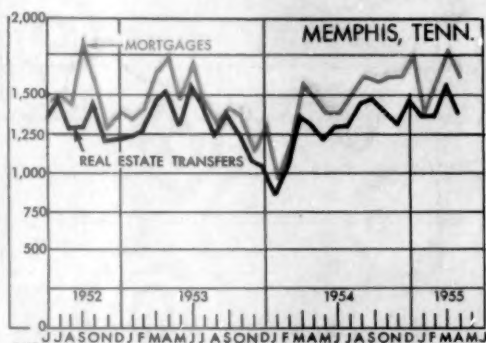
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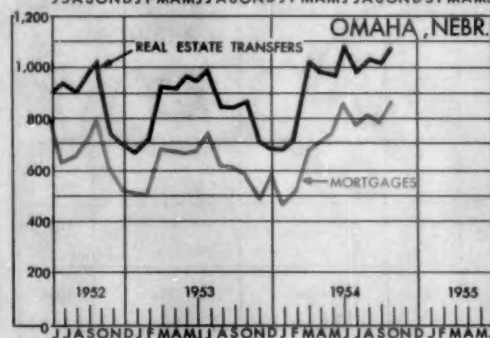
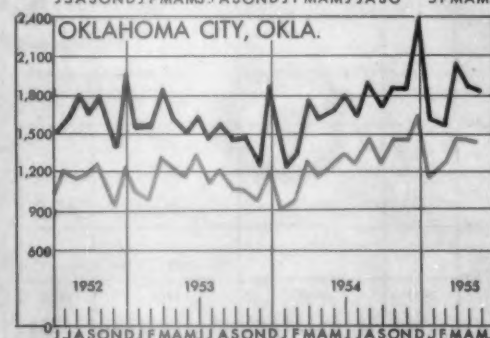
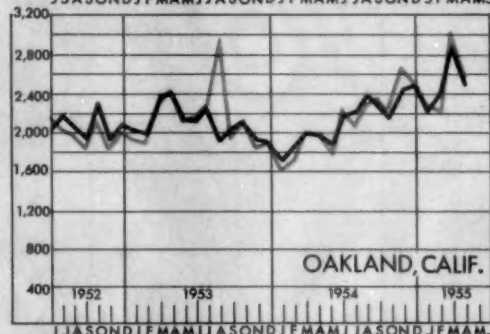
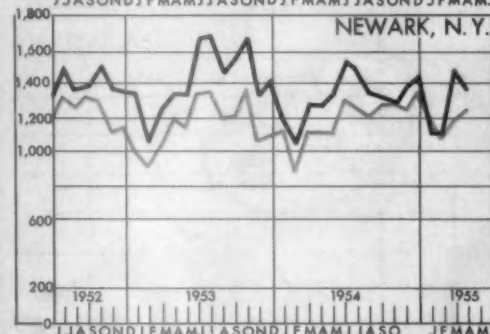
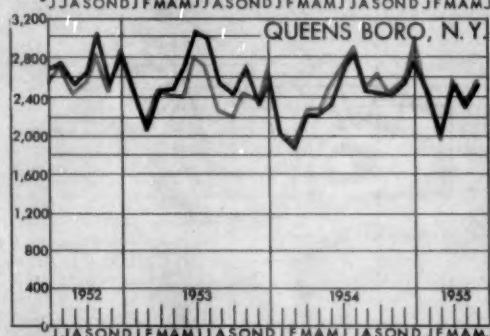
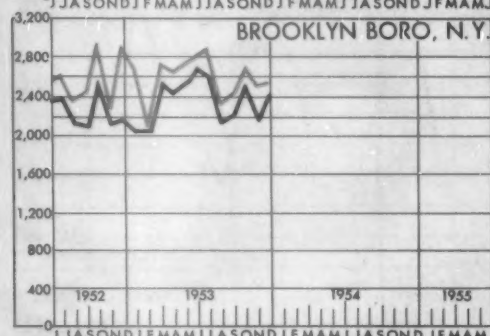
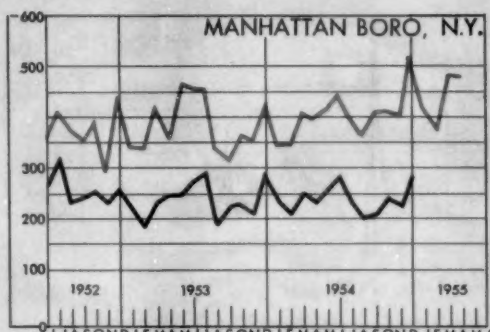
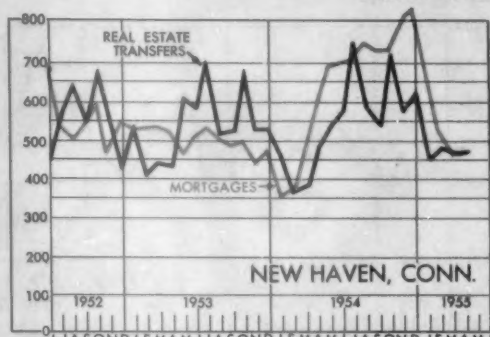
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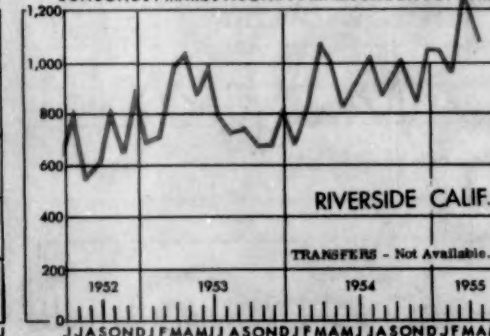
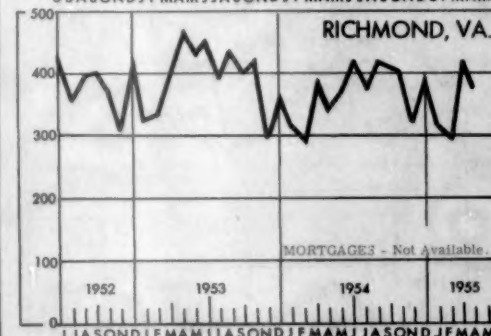
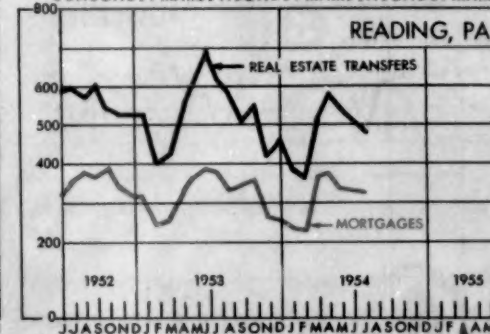
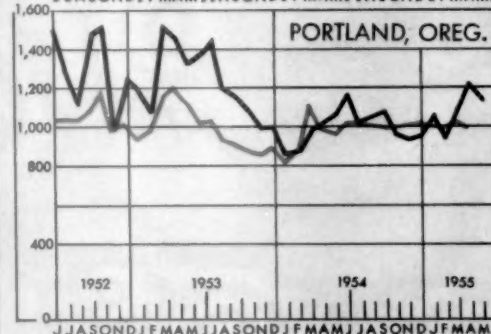
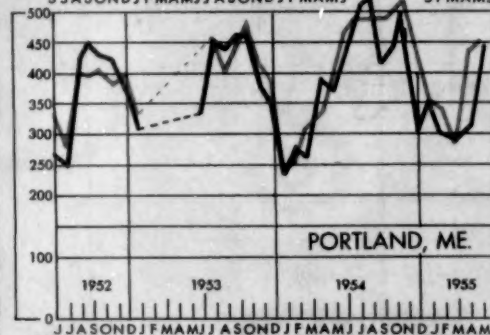
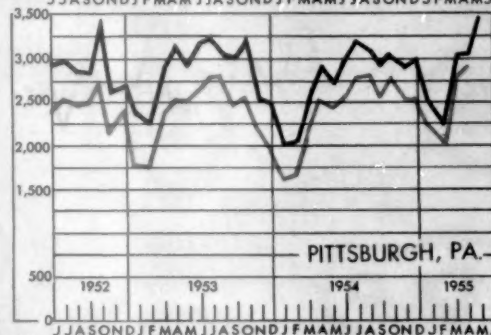
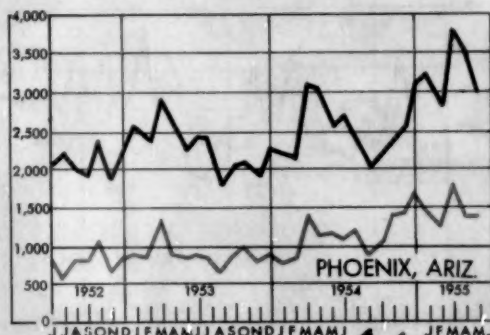
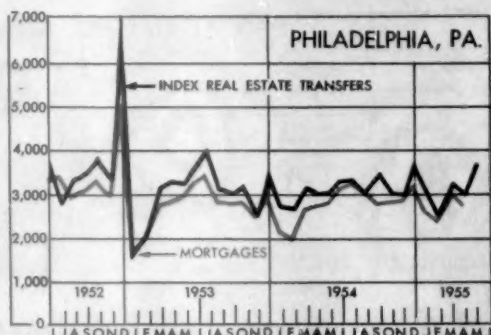
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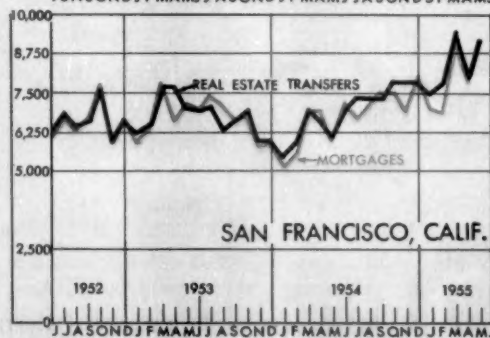
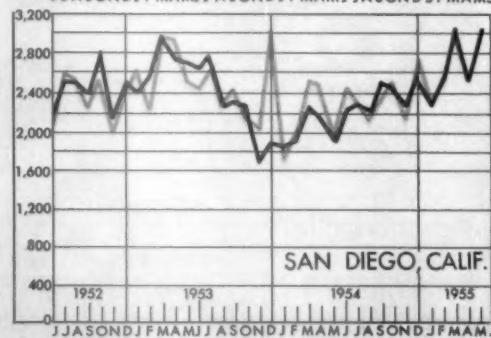
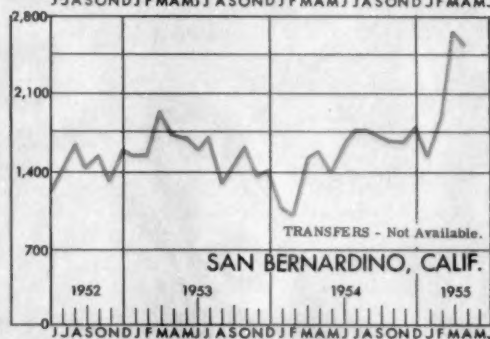
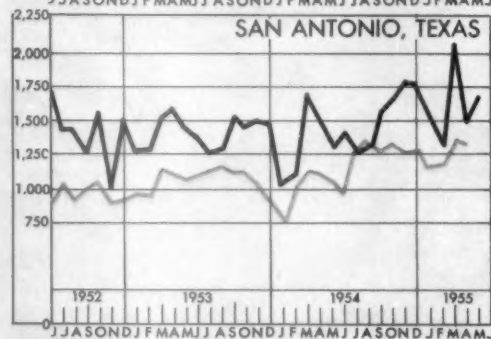
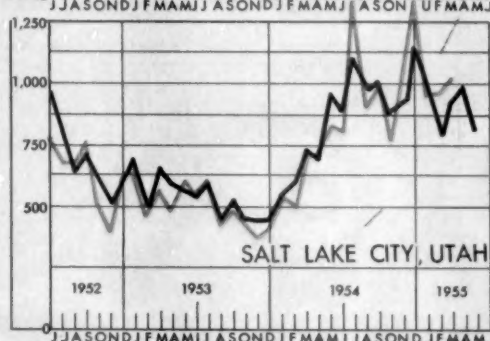
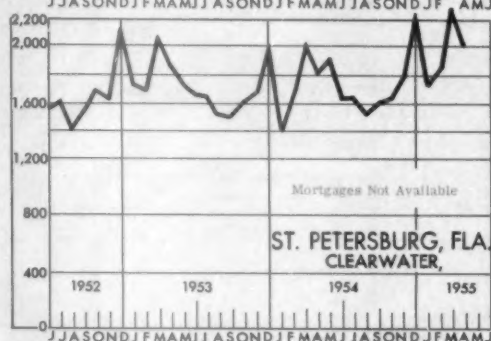
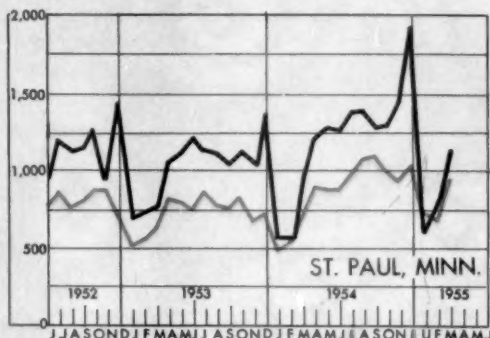
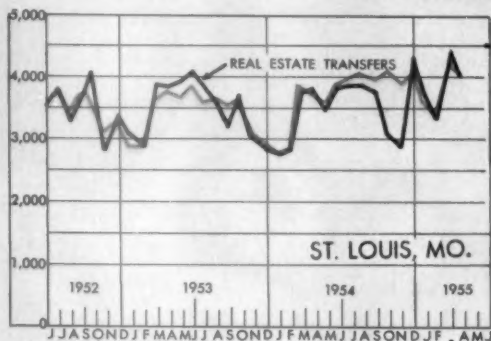
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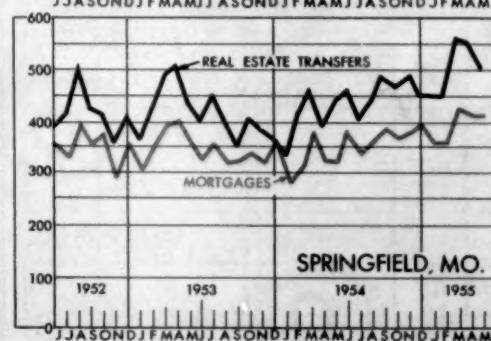
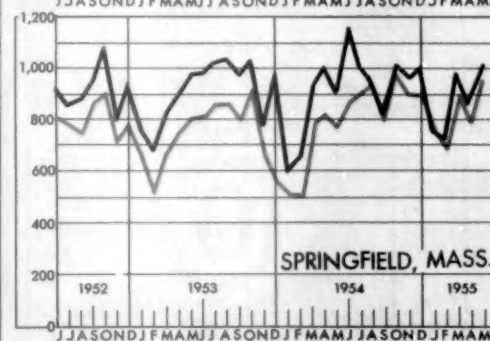
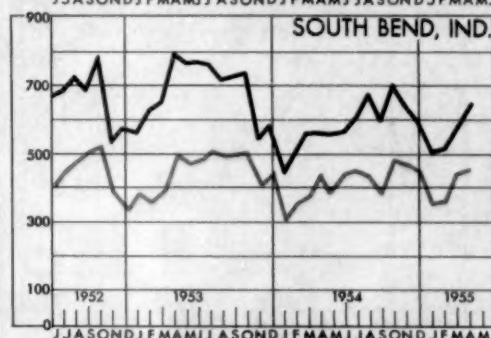
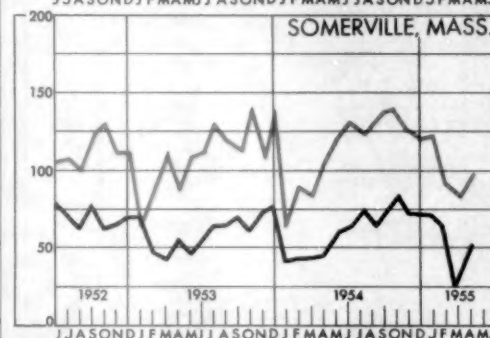
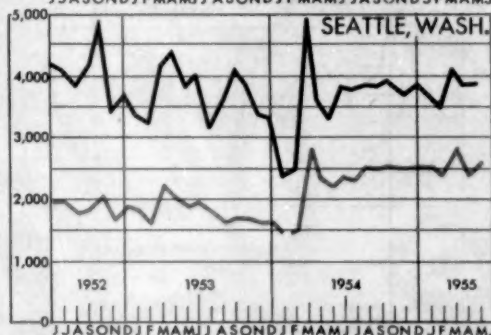
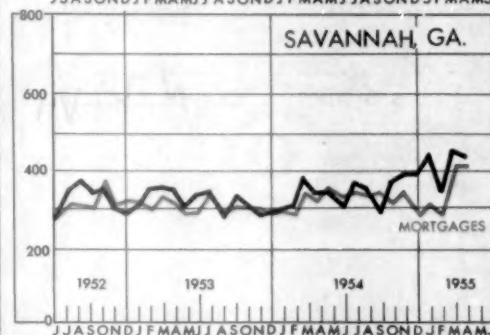
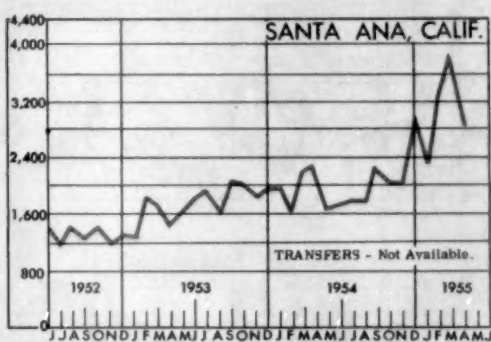
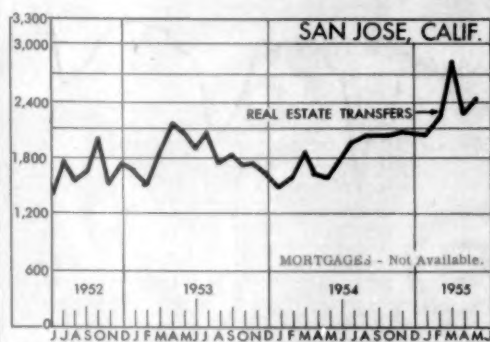
NUMBER OF REAL ESTATE TRANSFERS AND REAL ESTATE MORTGAGES BY CITIES

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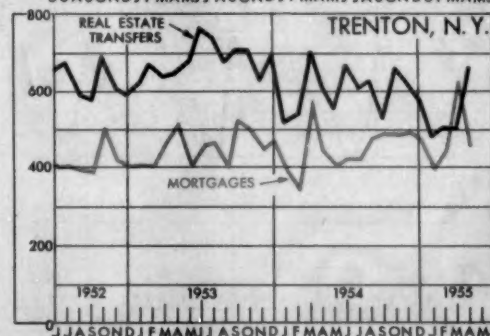
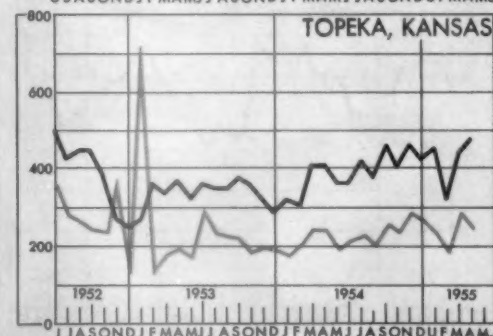
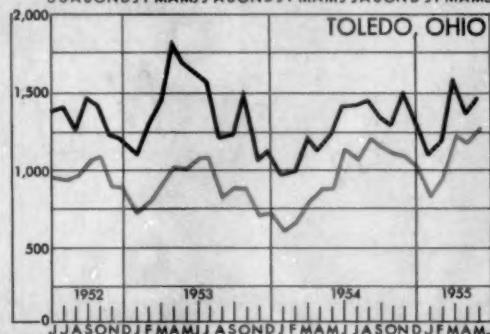
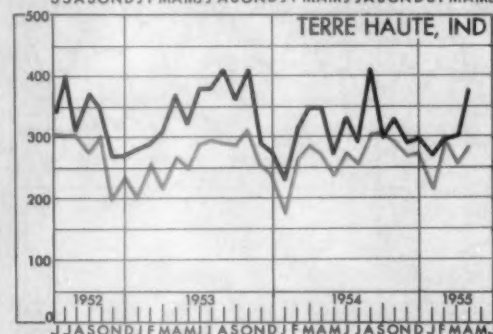
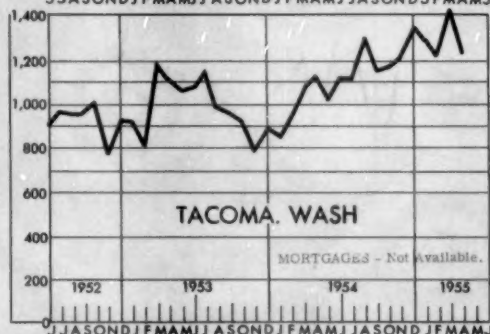
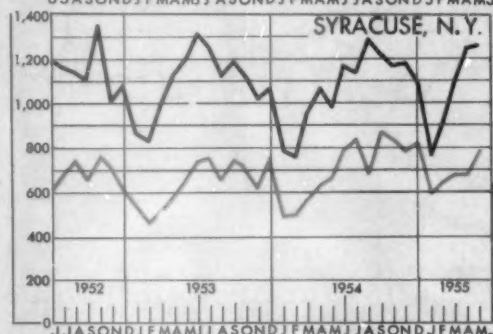
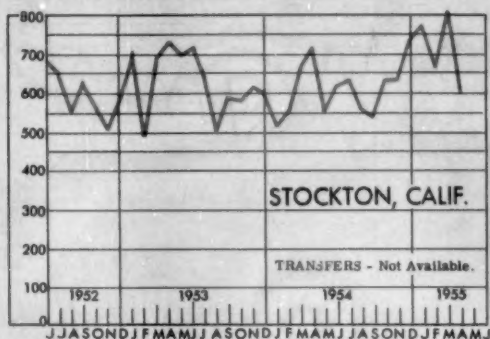
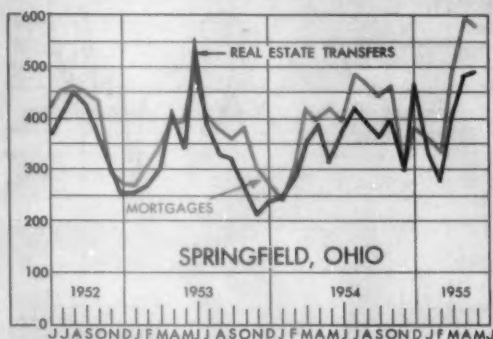
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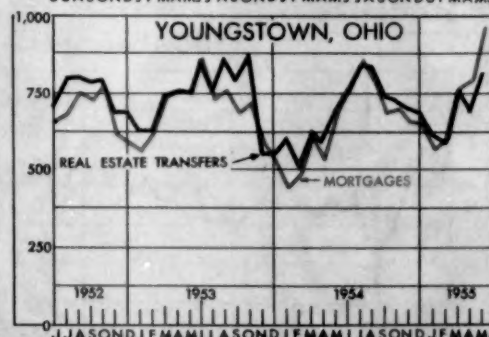
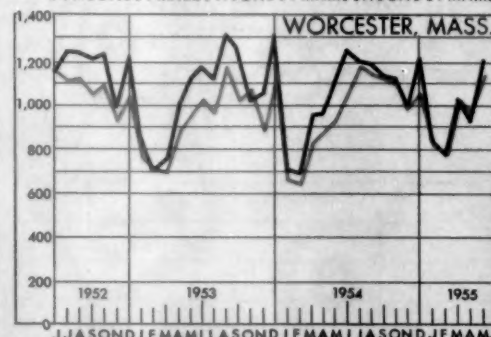
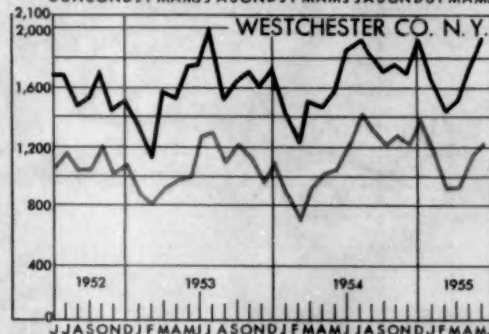
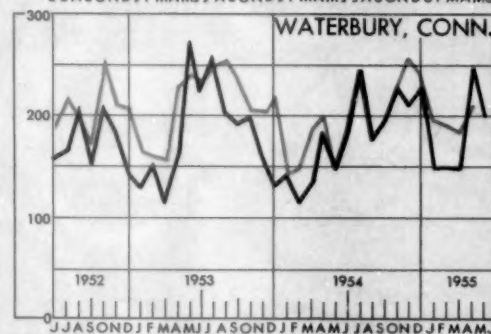
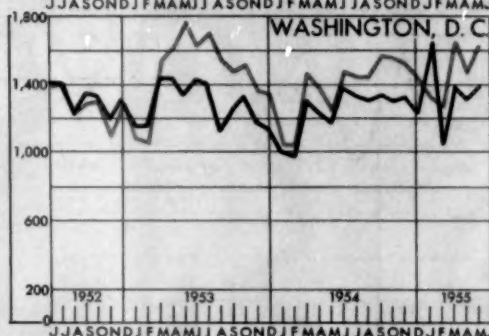
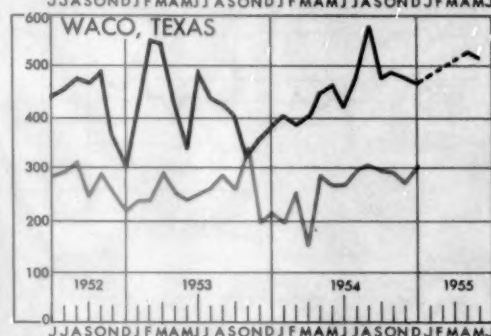
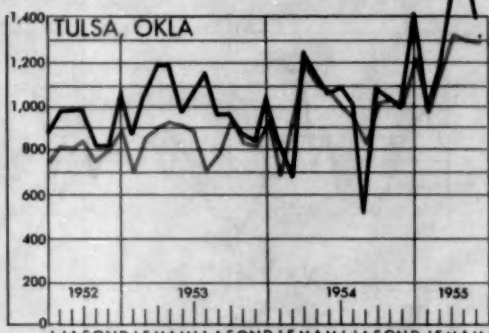
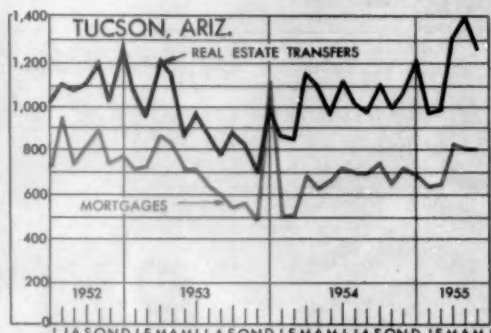
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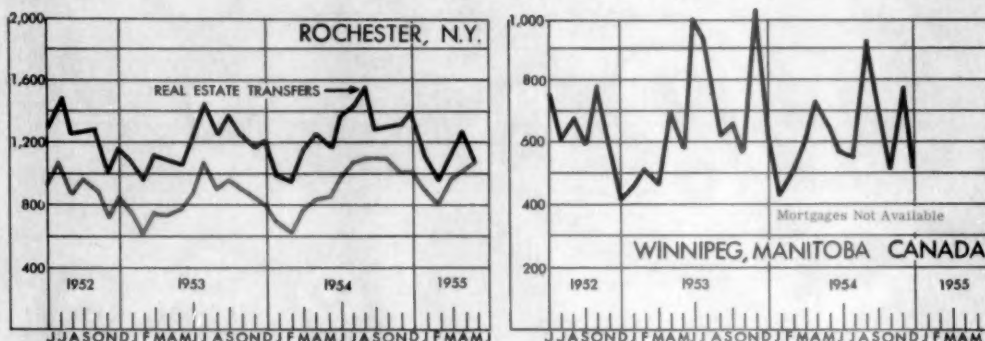
NOTE: In our April 1955 mortgage survey we published the information sent to us that there were 6,200 unsold new homes in the Trenton, New Jersey, area. Investigation since then leads us to the conclusion that we were misinformed. To the best of our knowledge the unsold homes in the Trenton area amount to between 100 and 200, with most new homes selling in line with completions.

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(cont. from page 265)

Now so long as we build houses faster than new families are being formed, we are adding to the housing surplus. It's perfectly true that the new houses are being sold and occupied at a steady rate, but further down the line vacancies are increasing. They will continue to increase because the older and more obsolete units are not being removed from the housing inventory.

An oversupply of housing has already been built in some cities (FHA says 26 cities and that the surplus is temporary) and threatens in others.

Fortunately the FHA and the VA are both alert to the fact that housing supply and demand are approaching a point where extreme vigilance is needed to prevent further overbuilding. Whether they will be successful in recognizing the signs at the local level and acting with the required deftness if they do, remains to be seen. Nevertheless, both agencies are more concerned over the rate of building than one would guess from listening to the calm assurances of Mr. Cole.

In this period, which we believe is a critical one, we are trying to show you as much of the real estate picture as possible. In this bulletin we have published charts on 114 cities showing the actual number of real estate transfers and mortgages recorded each month from 1952 to the present. As you can see from the short-term trends shown on these charts, the recent real estate and mortgage picture has been a bright one. There is a good chance that it will stay bright through the rest of the year and into 1956. However, the individual cities vary widely in the strength of their markets and their prospects for the future. Now is the time for local builders, brokers, and lenders to collaborate wherever possible to prevent local housing surpluses from developing. Unfortunately there are few cities (if any) where the real estate industry will attempt any sort of action to forestall overbuilding. Most of their efforts are directed toward claiming that such an eventuality not only does not exist but is virtually impossible.